

CITY OF HUMBOLDT, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2020

T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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City of Humboldt, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Scholl	Mayor	Dec 2021
Matt Dominick	Council Member	Dec 2023
John Sleiter	Council Member	Dec 2023
Joel Goodell	Council Member	Dec 2023
Mike Worthington	Council Member	Dec 2021
Kirk Whittlesey	Council Member	Dec 2021
Travis Goedken	Administrator	
Gloria Christensen	City Clerk	
Kayleen Fehr	Deputy City Clerk	
Christa Brockman	Administrative Assistant	
Brian Skow	Zoning Administrator Officer	Dec 2020
Eric Eide	Attorney	Dec 2020
Tom Nostrom	Park Commission	Dec 2023
Tom Tecklenberg	Park Commission	Dec 2023
Tyler Nielsen	Park Commission	Dec 2023
Kim Jensen	Park Commission	Dec 2021
Ross Sleiter	Park Commission	Dec 2021
Susan Hett	Library Trustee	June 2023
Abby Harklau	Library Trustee	June 2021
Tricia Gargano	Library Trustee	June 2023
Ted Beach	Library Trustee	June 2021
Mike Terwilliger	Library Trustee	June 2023
Robert Dodd	Airport Commission	Dec 2020
Ed Allen	Airport Commission	Dec 2021
Dave Dodgen	Airport Commission	Dec 2024
John Cero	Airport Commission	Dec 2025
Harley Hett	Airport Commission	Dec 2022

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Amy Donahe	Planning and Zoning Commission	Dec 2021
Vouth Varangkounh	Planning and Zoning Commission	Dec 2020
Cory Matson	Planning and Zoning Commission	Dec 2021
Scott Curran	Planning and Zoning Commission	Dec 2021
Jeff Harklau	Planning and Zoning Commission	Dec 2024
Jim Arndt	Planning and Zoning Commission	Dec 2025
Alan Blanchard	Planning and Zoning Commission	Dec 2025
Jim Mertz	Planning and Zoning Commission	Dec 2020
Madelyn Riles	Planning and Zoning Commission	Dec 2025
Bill Hansen	Zoning Adjustment Board	Dec 2020
Preston Peterson	Zoning Adjustment Board	Dec 2020
Duane Wergeland	Zoning Adjustment Board	Dec 2021
Jim Hassett	Zoning Adjustment Board	Dec 2022
Jim Mertz	Zoning Adjustment Board	Dec 2023
Susan Hett	Preservation Board	Dec 2021
Martha Schmidt	Preservation Board	Dec 2021
Mary Carlson	Preservation Board	Dec 2023
Terry Hart	Preservation Board	Dec 2023
Dennis Reed	Preservation Board	Dec 2020



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 21 through 26, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

February 8, 2021

Humboldt, Iowa

Basic Financial Statements

City of Humboldt, Iowa
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2020

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 990,396	137,168		7,000
Public works	1,263,974	8,637	602,845	224,503
Culture and recreation	1,581,157	608,779	-	12,000
Community and economic development	670,600	-	-	-
General government	410,928	-	-	-
Debt service	2,373,156	-	-	-
Capital projects	2,170,580	-	-	-
Total governmental activities	9,460,791	754,584	602,845	243,503
Business-type activities				
Water	1,345,524	1,375,954	-	-
Sewer	834,965	978,553	-	-
Solid Waste	352,564	456,049		
Other - Storm Sewer	61,566	92,847	-	-
Total business-type activities	2,594,619	2,903,403	-	-
Total	\$ 12,055,410	3,657,987	602,845	243,503
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt Service				
Tax increment financing				
Local option sales tax				
Other City taxes				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
Transfers				
Total general receipts				
Change in cash basis net position				
Cash basis net position, beginning of year				
Cash basis net position, end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Louthan fund				
Cemetery perpetual care				
Expendable:				
Urban renewal purposes				
Streets				
Local option sales tax				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to the financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business-type Activities	Total
(846,228)	-	(846,228)
(427,989)	-	(427,989)
(960,378)	-	(960,378)
(670,600)	-	(670,600)
(410,928)	-	(410,928)
(2,373,156)	-	(2,373,156)
(2,170,580)	-	(2,170,580)
(7,859,859)	-	(7,859,859)
-	30,430	30,430
-	143,588	143,588
-	103,485	103,485
-	31,281	31,281
-	308,784	308,784
(7,859,859)	308,784	(7,551,075)
\$ 2,187,145	-	2,187,145
605,743	-	605,743
662,824	-	662,824
546,554	-	546,554
77,322	-	77,322
22,684	-	22,684
38,998	7,828	46,826
4,055,738	-	4,055,738
247,604	17,910	265,514
10,000	(10,000)	-
8,454,612	15,738	8,470,350
594,753	324,522	919,275
3,800,064	919,003	4,719,067
\$ 4,394,817	1,243,525	5,638,342
\$ 476,823	-	476,823
59,469	-	59,469
1,118,093	-	1,118,093
173,985	-	173,985
108,984	-	108,984
192,073	246,383	438,456
(168,543)	50,000	(118,543)
1,234,187	9,941	1,244,128
1,199,746	937,201	2,245,931
\$ 4,394,817	1,243,525	5,638,342

City of Humboldt, Iowa
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2020

	General	Special Revenue		
		Urban Renewal Tax Increment	Road Use Tax	Library Trust
Receipts:				
Property tax	\$ 1,700,961	-	-	-
Tax increment financing	-	662,824	-	-
Other city tax	77,322	-	-	-
Licenses and permits	21,980	-	-	-
Use of money and property	80,427	-	-	9,478
Intergovernmental	243,503	-	602,845	-
Charges for service	754,584	-	-	-
Special assessments	-	-	-	-
Miscellaneous	39,440	63	-	4,029
Total receipts	2,918,217	662,887	602,845	13,507
Disbursements:				
Operating:				
Public safety	851,791	-	-	-
Public works	490,789	-	680,769	-
Culture and recreation	1,378,003	-	-	9,788
Community and economic development	99,393	571,163	-	-
General government	281,959	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,101,935	571,163	680,769	9,788
Excess (deficiency) of receipts over (under) disbursements	(183,718)	91,724	(77,924)	3,719
Other financing sources (uses):				
Loan proceeds				
Operating transfers in	59,585	-	520,000	-
Operating transfers out	(100,000)	(545,323)	(520,000)	-
Net other financing sources (uses)	(40,415)	(545,323)	-	-
Change in cash balances	(224,133)	(453,599)	(77,924)	3,719
Cash balances, beginning of year	703,064	1,118,094	173,985	474,803
Cash balances, end of year	\$ 478,931	664,495	96,061	478,522
Cash Basis Fund Balances				
Nonspendable:				
Louthan fund	\$ -	-	-	-
Cemetery perpetual care	-	-	-	-
Restricted for:				
Urban renewal purposes	-	664,495	-	-
Streets	-	-	96,061	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	478,522
Assigned for parks	220,000	-	-	-
Assigned for fire department	158,332	-	-	-
Unassigned	100,599	-	-	-
Total cash basis fund balances	\$ 478,931	664,495	96,061	478,522

See notes to financial statements.

Debt Service	Permanent	Capital Projects		Nonmajor	Total
	Louhan	Business Park	Downtown Improvements		
605,743	-	-	-	508,868	2,815,572
-	-	-	-	-	662,824
-	-	-	-	546,554	623,876
-	-	-	-	-	21,980
-	12,411	-	-	1,529	103,845
-	-	-	-	-	846,348
-	-	-	-	-	754,584
-	-	-	-	-	-
-	-	-	-	117,245	160,777
605,743	12,411	-	-	1,174,196	5,989,806
-	-	-	-	138,605	990,396
-	-	-	-	92,416	1,263,974
-	-	-	-	193,366	1,581,157
-	-	-	-	44	670,600
-	-	-	-	128,969	410,928
2,373,156	-	-	-	-	2,373,156
-	-	6,000	1,278,196	886,384	2,170,580
2,373,156	-	6,000	1,278,196	1,439,784	9,460,791
(1,767,413)	12,411	(6,000)	(1,278,196)	(265,588)	(3,470,985)
1,177,757	-	-	1,700,000	1,177,981	4,055,738
545,323	-	-	-	620,000	1,744,908
-	-	-	-	(569,585)	(1,734,908)
1,723,080	-	-	1,700,000	1,228,396	4,065,738
(44,333)	12,411	(6,000)	421,804	962,808	594,753
192,073	476,823	599,032	(222,411)	284,601	3,800,064
147,740	489,234	593,032	199,393	1,247,409	4,394,817
-	489,234	-	-	-	489,234
-	-	-	-	62,035	62,035
-	-	-	-	-	664,495
-	-	-	-	-	96,061
147,740	-	-	-	-	147,740
-	-	593,032	199,393	-	792,425
-	-	-	-	1,286,818	1,765,340
-	-	-	-	-	220,000
-	-	-	-	-	158,332
-	-	-	-	(101,444)	(845)
147,740	489,234	593,032	199,393	1,247,409	4,394,817

City of Humboldt, Iowa
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2020

	Water	Sewer	Solid Waste	Nonmajor Storm Sewer	Total
Operating receipts:					
Charges for service	\$ 1,375,954	978,553	456,049	92,847	2,903,403
Miscellaneous	4,300	13,610	-	-	17,910
Total operating receipts	1,380,254	992,163	456,049	92,847	2,921,313
Operating disbursements:					
Business-type activities	949,938	586,713	352,564	-	1,889,215
Excess (deficiency) of operating receipts over (under) operating disbursements	430,316	405,450	103,485	92,847	1,032,098
Non-operating receipts (disbursements):					
Interest on investments	110	7,718	-	-	7,828
Debt service	(368,640)	(102,100)	-	-	(470,740)
Capital projects	(26,946)	(146,152)	-	(61,566)	(234,664)
Net non-operating disbursements	(395,476)	(240,534)	-	(61,566)	(697,576)
Other financing sources (uses)					
Operating transfers out			(10,000)		(10,000)
Net other financing sources (uses)	-	-	(10,000)	-	(10,000)
Change in cash balances	34,840	164,916	93,485	31,281	324,522
Cash balances, beginning of year	(126,357)	908,431	90,325	46,604	919,003
Cash balances, end of year	\$ (91,517)	1,073,347	183,810	77,885	1,243,525
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 70,061	231,642	-	-	301,703
Capital projects	-	-	50,000	-	50,000
Other purposes		10,410	-	-	10,410
Unrestricted	(161,578)	831,295	133,810	77,885	881,412
Total cash basis fund balances	\$ (91,517)	1,073,347	183,810	77,885	1,243,525

See notes to financial statements.

City of Humboldt, Iowa
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Agency Funds

As of and for the year ended June 30, 2020

	Economic Development Office	Total
Receipts:		
Miscellaneous	136,169	136,169
Disbursements:		
Non-budgeted	135,276	135,276
Change in cash balances	893	893
Cash balances, beginning of year	3,626	3,626
Cash balances, end of year	4,519	4,519

See notes to the financial statements.

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Humboldt is a political subdivision of the State of Iowa located in Humboldt County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities and solid waste services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Humboldt has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Blended Component Unit

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although the drainage district is legally separate from the City, it is so intertwined with the City that it is, in substance, the same as the City. In accordance with criteria set forth by the Governmental Accounting Standards Board, the drainage district meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Humboldt County Emergency Management Commission, Humboldt County Joint E911 Service Board, Humboldt County Public Safety Commission, The North Central Iowa Regional Solid Waste Agency, and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

The Library Trust Fund is used to account for the activity of the library trust.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Permanent, Louthan Fund is used to account for interest earned on the money held in the Louthan trust.

The Capital Projects, Business Park Fund is going to be transferred out to help with a street construction project and a storm sewer extension.

The Capital Projects, Downtown Improvement Fund is used to account for the improvements to downtown.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Solid Waste Fund accounts for operation and maintenance of the City's solid waste system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, or accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balances and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 11/2% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements did not exceed the amount budgeted in any function.

(2) Cash and Investments

The City's deposits in banks at June 30, 2020, which include certificates of deposit totaling \$1,298,675, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

(3) Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$1,320,000	-	135,000	1,185,000	285,000
General Obligation Bonds	1,170,000	-	1,170,000	-	-
General Obligation Bonds	210,000	-	210,000	-	-
General Obligation Bonds	920,000	-	50,000	870,000	60,000
General Obligation Bonds	100,000	-	100,000	-	-
General Obligation Bonds	500,000	-	165,000	340,000	30,000
General Obligation Bonds	600,000	-	-	600,000	35,000
General Obligation Bonds	-	3,860,000	250,000	3,610,000	380,000
General Obligation Bonds	1,945,000	-	-	1,945,000	180,000
Governmental activities total:	<u>\$ 6,765,000</u>	<u>3,860,000</u>	<u>2,080,000</u>	<u>8,550,000</u>	<u>970,000</u>
Business-type activities:					
Water Plan Renovation Loan	\$4,608,000	-	288,000	4,320,000	294,000
Sewer Revenue Loan	100,000	-	100,000	-	-
Business-type activities total:	<u>\$4,708,000</u>	<u>-</u>	<u>388,000</u>	<u>4,320,000</u>	<u>294,000</u>

Annual debt service requirements to maturity for general obligation bonds, revenue notes, and other long-term debt are as follows:

Year	General Obligation Notes		Revenue Notes		Total	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2021	970,000	275,705	294,000	86,400	1,264,000	362,105
2022	950,000	243,206	300,000	80,521	1,250,000	323,727
2023	975,000	211,058	306,000	74,520	1,281,000	285,578
2024	1,000,000	177,467	312,000	68,400	1,312,000	245,867
2025	475,000	142,640	319,000	62,160	794,000	204,800
2026-2030	2,600,000	518,308	1,691,000	213,220	4,291,000	731,528
2031-2035	1,120,000	210,650	1,098,000	44,198	2,218,000	254,848
2036-2039	460,000	46,600	-	-	460,000	46,600
	<u>\$ 8,550,000</u>	<u>1,825,634</u>	<u>4,320,000</u>	<u>629,419</u>	<u>12,870,000</u>	<u>2,455,053</u>

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

General Obligation Bonds

On December 22, 2009, the City issued \$1,320,000 of general obligation bonds with interest rates ranging from 4.97% to 5.37% per annum. The bonds were issued for infrastructure improvements. During the year ended June 30, 2020, the City paid \$135,000 of principal and \$68,556 of interest on the bonds.

On June 22, 2011, the City issued \$3,320,000 of general obligation bonds with interest rates ranging from 2.05% to 3.45% per annum. The bonds were issued for the water tower, streets and the fire station. During the year ended June 30, 2020, the City paid \$1,170,000 of principal and \$7,532 of interest on the bonds.

On June 22, 2011, the City issued \$1,845,000 of general obligation bonds with interest rates ranging from 2.05% to 2.80% per annum. The bonds were issued for the aquatic center. During the year ended June 30, 2020, the City paid \$210,000 of principal and \$5,880 of interest on the bonds.

On September 20, 2012, the City issued \$1,535,000 of general obligation bonds with interest rates ranging from 1.00% to 3.00% per annum. The bonds were issued for eagle ridge infrastructure and downtown demolition. During the year ended June 30, 2020, the City paid \$50,000 of principal and \$23,485 of interest on the bonds.

On May 28, 2014, the City issued \$1,870,000 of general obligation bonds with interest rates ranging from 1.00% to 2.00% per annum. The bonds were issued for the frit site cleanup. During the year ended June 30, 2020, the City paid \$100,000 of principal and \$2,000 of interest on the bonds.

On November 20, 2015, the City issued \$1,575,000 of general obligation bonds with interest rates ranging from 1.75% to 4.00% per annum. The bonds were issued for the eagle ridge II project. During the year ended June 30, 2020, the City paid \$165,000 of principal and \$16,075 of interest on the bonds.

On August 18, 2016, the City issued \$1,945,000 of general obligation bonds with interest rates ranging from 1.2% to 2.30% per annum. The bonds were issued for the business park phase II and a new fire engine. During the year ended June 30, 2020, the City paid \$0 of principal and \$39,530 of interest on the bonds.

On September 20, 2017, the City issued \$600,000 of general obligation bonds with interest rates ranging from 1.80% to 3.25% per annum. The bonds were issued for eagle ridge phase III. During the year ended June 30, 2020, the City paid \$0 of principal and \$16,963 of interest on the bonds.

On July 25, 2019, the City issued \$3,860,000 of general obligation bonds with interest rates ranging from 3.00% to 4.00% per annum. These bonds were issued at a premium of \$195,738. The bonds were issued for the recreation center and downtown improvements. During the year ended June 30, 2020, the City paid \$250,000 of principal and \$109,310 of interest on the bonds.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay sewer revenue refunding notes issued in April 2012. The notes are payable solely from sewer customer net receipts and are payable through 2020. These notes were paid in full during the year ended June 30,

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

2020. For the current year, principal and interest paid and the excess of operating receipts over operating disbursements for the sewer fund were \$102,100 and \$405,450, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue capital loan notes issued in February 2013. Proceeds from the notes provided financing for the construction of water treatment plant improvements. The notes are payable solely from water customer net receipts and are payable through 2033. The total principal and interest remaining to be paid on the notes is \$4,320,000 and \$629,419, respectively. For the current year, principal and interest paid and the excess of operating receipts over operating disbursements for the water fund were \$368,640 and \$430,319, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) For the Water Sewer Fund, sufficient rates are to be charged to generate net revenues adequate to pay the principal and interest on the bonds and to create and maintain the reserves required by the bonds. The net revenues are also to be equal to or greater than 110% of the principal and interest requirements of the succeeding fiscal year. The Water Fund complied with this requirement for the year ended June 30, 2020.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lumpsum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$143,539.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$793,349 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019,

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

the City's proportion was 0.0137005%, which was an increase of 0.000289% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$190,970, \$168,781 and \$211,134, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,643,385	793,349	80,641

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Post Employment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$188,633 and plan members eligible for benefits contributed \$37,142 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, there were 25 active and no retired members covered by the benefit terms.

(6) Compensated Absences

City employees accumulate vacation and personal/sick leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated. Personal hours are not paid upon termination of employment. Sick leave is paid when used or upon retirement up to 15 days, given that an employee has been a regular full time or regular part time employee of the City for at least 10 consecutive years immediately prior to retirement. Employees may convert up to 24 hours of sick leave to 8 hours of vacation for every 6 months, January to June and July to December, in which no sick leave is utilized. This conversion of sick leave to vacation shall not be allowed if it results in the employee's cumulative total of sick leave to be less than 80 hours. These accumulations are not recognized as expenditures by the

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

City until they are paid. The City's approximate liability for earned vacation and personal/sick leave payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Personal and sick leave	\$ 431,984
Vacation	79,368
	<u>\$ 511,352</u>

The liability has been computed based on rates of pay in effect at July 1, 2020.

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Emergency	\$ 46,585
General	Special Revenue: Community Projects	3,000
General	Enterprise: Solid Waste	10,000
Capital Projects: Rec Center	General	100,000
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	520,000
Debt Service	Special Revenue: Urban Renewal Tax Increment	545,323
Capital Projects: Street	Special Revenue: Road Use Tax	<u>520,000</u>
		<u>\$1,744,908</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City uses a third party administrator to determine appropriate claims. At June 30, 2020, there were no unpaid claims due.

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

(9) Deficit Balances

At June 30, 2020, the City had deficit balances in the following funds:

Fund	Amount
Capital Projects: Streets	\$64,570
Capital Projects: Water Main	36,874
Enterprise: Water	91,517

The City is aware of these deficits and is actively working to eliminate them.

(10) Contracts

The City previously contracted with the Humboldt County Landfill Commission for landfill use for solid waste disposal for residences and businesses within the City. Effective December 31, 1995 the City withdrew from the Humboldt County Landfill. The City will continue to be liable for their share of post-closure costs. The City will have an estimated annual liability of \$21,000 for the post-closure costs which will continue for the 10 years remaining on the post-closure period.

Due to the withdrawal from Humboldt County Landfill, the City has entered into an agreement with the North Central Solid Waste Agency for solid waste disposal. Total payments by the City under this agreement for the year ended June 30, 2020 were \$63,638. This agreement is perpetual unless otherwise terminated or dissolved. The City is assessed a fee based on tonnage received at the landfill. The fee is adjusted annually.

The City has also contracted the Humboldt County Public Safety Commission (Commission) for use of the law enforcement center building. For the year ended June 30, 2020, the City paid \$138,319 pursuant to this agreement. This agreement is perpetual unless otherwise terminated or dissolved. The Commission meets annually to set the budget.

The City has also contracted with a private contractor, PeopleService, Inc., for the operation and maintenance of the municipal sewer plant and municipal waterworks. Payments under these contracts totaled \$238,376 and \$510,358, respectively, for the year ended June 30, 2020. The monthly compensation paid to PeopleService, Inc. is adjusted on an annual basis for the change in Consumer Price Index for all Urban Consumers as regularly reported by the U.S. Bureau of Labor Statistics. This agreement extends through 2025.

(11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and

City of Humboldt, Iowa

Notes to Financial Statements

June 30, 2020

(b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$94,118 of property tax under the urban renewal and economic development agreements.

(12) Guaranteed Loans

The City has guaranteed two loans for a community daycare center. The City has guaranteed \$100,000 on a \$500,000 loan with the USDA and \$200,000 on a \$500,000 loan with a local financial institution. At this time, it is expected they will be required to pay approximately \$22,000 annually on these loans for 20 years.

(13) Contingent Liability

The City operates a partially self-funded health insurance program for its employees. The insurance policies provided by the City have deductibles of \$8,000 for single and \$16,000 for family coverage for each calendar year. Under the program, employees are only required to pay a maximum of \$1,000 and 2,000 for a family towards these deductibles, with the City covering the remainder. Thus, the City is liable for the remainder of each employee. As of June 30, 2020, the unrecognized amount of this total represents a contingent liability to the City in the amount of \$215,797.

(14) Subsequent Events

Management evaluated subsequent events thru February 8, 2021, the date the financial statements were available to be issued. Nothing of audit significance was noted.

Other Information

City of Humboldt, Iowa
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 2,815,572	-	2,815,572	2,715,402	2,715,402	100,170
Tax increment financing	662,824	-	662,824	851,535	851,535	(188,711)
Other city tax	623,876	-	623,876	693,082	693,082	(69,206)
Licenses and permits	21,980	-	21,980	22,850	22,850	(870)
Use of money and property	103,845	7,828	111,673	70,075	70,075	41,598
Intergovernmental	846,348	-	846,348	1,390,362	1,390,362	(544,014)
Charges for service	754,584	2,903,403	3,657,987	3,685,350	3,685,350	(27,363)
Special assessments	-	-	-	-	-	-
Miscellaneous	160,777	17,910	178,687	281,050	281,050	(102,363)
Transfers In	1,744,908	-	1,744,908	2,072,750	2,072,750	-
Total receipts	7,734,714	2,929,141	10,663,855	11,782,456	11,782,456	(1,118,601)
Disbursements:						
Public safety	990,396	-	990,396	1,007,995	1,054,245	63,849
Public works	1,263,974	-	1,263,974	1,373,037	1,421,137	157,163
Culture and recreation	1,581,157	-	1,581,157	1,678,610	1,834,810	253,653
Community and economic development	670,600	-	670,600	274,050	776,550	105,950
General government	410,928	-	410,928	339,255	463,255	52,327
Debt service	2,373,156	-	2,373,156	1,120,310	2,416,310	43,154
Capital projects	2,170,580	-	2,170,580	520,000	2,512,200	341,620
Business-type activities	-	2,594,619	2,594,619	2,575,115	2,783,615	188,996
Transfers Out	1,734,908	10,000	1,744,908	2,072,750	2,072,750	327,842
Total disbursements	11,195,699	2,604,619	13,800,318	10,961,122	15,334,872	1,534,554
Excess (deficiency) of receipts over (under) disbursements	(3,460,985)	324,522	(3,136,463)	821,334	(3,552,416)	415,953
Net other financing sources	4,055,738	-	4,055,738	-	4,056,050	(312)
Excess of receipts and other financing sources over disbursements and other financing uses	594,753	324,522	919,275	821,334	503,634	415,641
Balances, beginning of year	3,800,064	919,003	4,719,067	5,236,395	5,236,395	(517,328)
Balances, end of year	\$ 4,394,817	1,243,525	5,638,342	6,057,729	5,740,029	(101,687)

See accompanying independent auditor's report.

City of Humboldt, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, Permanent Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted receipts and budgeted disbursements by \$4,056,050 and \$4,373,750, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed the amount budgeted in any function.

City of Humboldt, Iowa

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0137005	0.013412%	0.013579%	0.013238%	0.012428%	.011522%
City's proportionate share of the net pension liability	\$793,349	\$848,713	\$904,561	\$833,099	\$613,988	\$456,959
City's covered payroll	1,427,165	\$1,316,213	\$1,310,467	\$1,220,644	\$1,195,732	\$1,157,802
City's proportionate share of the net pension liability as percentage of its covered payroll	55.59%	64.48%	69.03%	68.25%	51.35%	39.47%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Humboldt, Iowa
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 143,539	\$ 137,393	\$ 120,259	119,891	\$ 111,652	\$ 110,297	\$ 106,886	\$ 104,220	\$ 90,879	\$ 82,452
Contributions in relation to the statutorily required contribution	<u>(143,539)</u>	<u>(137,393)</u>	<u>(120,259)</u>	<u>(119,891)</u>	<u>(111,652)</u>	<u>(110,297)</u>	<u>(106,886)</u>	<u>(104,220)</u>	<u>(90,879)</u>	<u>(82,452)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,501,454	\$ 1,427,165	\$ 1,316,213	1,310,467	\$ 1,220,644	\$ 1,195,732	\$ 1,157,802	\$ 1,148,659	\$ 1,065,542	\$ 1,060,771
Contributions as a percentage of covered payroll	9.56%	9.63%	9.14%	9.15	9.15	9.22	9.23	9.07	8.53	7.77

See accompanying independent auditor's report.

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

City of Humboldt, Iowa
Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2020

	Special Revenue						Permanent	
	Local Option Sales Tax	Community Projects	Employee Benefits	13A Drainage District	Emergency	Street Assessments	Revolving Loan Fund	Cemetery Perpetual Care
Receipts:								
Property tax	\$ -	-	461,930	-	46,938	-	-	-
Other city tax	546,554	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	313	1,216
Miscellaneous	-	27,004	88,891	-	-	-	-	1,350
Total receipts	546,554	27,004	550,821	-	46,938	-	313	2,566
Disbursements:								
Operating:								
Public safety	-	-	138,605	-	-	-	-	-
Public works	-	-	92,416	-	-	-	-	-
Culture and recreation	-	-	193,366	-	-	-	-	-
Community and economic development	-	-	44	-	-	-	-	-
General government	-	20,075	108,894	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Total disbursements	-	20,075	533,325	-	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	546,554	6,929	17,496	-	46,938	-	313	2,566
Other financing sources (uses):								
Loan proceeds	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	(520,000)	(3,000)	-	-	(46,585)	-	-	-
Net other financing sources (uses)	(520,000)	(3,000)	-	-	(46,585)	-	-	-
Change in cash balances	26,554	3,929	17,496	-	353	-	313	2,566
Cash balances, beginning of year	108,984	61,705	366,786	3,462	42,544	9,194	170,171	59,469
Cash balances, end of year	\$ 135,538	65,634	384,282	3,462	42,897	9,194	170,484	62,035
Cash Basis Fund Balances								
Nonspendable:								
Cemetery perpetual care	\$ -	-	-	-	-	-	-	62,035
Restricted for other purposes	135,538	65,634	384,282	3,462	42,897	9,194	170,484	-
Unassigned	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 135,538	65,634	384,282	3,462	42,897	9,194	170,484	62,035

See accompanying independent auditor's report.

Capital Projects				
Eagle Ridge	Streets	Rec Center	Water Main	Total
-	-	-	-	508,868
-	-	-	-	546,554
-	-	-	-	1,529
-	-	-	-	117,245
-	-	-	-	1,174,196
-	-	-	-	138,605
-	-	-	-	92,416
-	-	-	-	193,366
-	-	-	-	44
-	-	-	-	128,969
-	759,566	78,996	47,822	886,384
-	759,566	78,996	47,822	1,439,784
-	(759,566)	(78,996)	(47,822)	(265,588)
-	-	1,177,981	-	1,177,981
-	520,000	100,000	-	620,000
-	-	-	-	(569,585)
-	520,000	1,277,981	-	1,228,396
-	(239,566)	1,198,985	(47,822)	962,808
43,917	174,996	(767,575)	10,948	284,601
43,917	(64,570)	431,410	(36,874)	1,247,409
-	-	-	-	62,035
43,917	-	431,410	-	1,286,818
-	(64,570)	-	(36,874)	(101,444)
43,917	(64,570)	431,410	(36,874)	1,247,409

Schedule 3

City of Humboldt, Iowa

Schedule of Indebtedness

Year Ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance, Beginning of Year	Issued During Year	Redeemed During Year	Balance, End of Year	Interest Paid
General obligation notes:								
Capital Loan Notes, Series 2009B	Dec 22, 2009	4.97-5.37%	\$ 1,320,000	\$ 1,320,000	-	135,000	1,185,000	68,556
Capital Loan Notes, Series 2011A	Jun 22, 2011	2.05-3.45%	3,320,000	1,170,000	-	1,170,000	-	7,532
Capital Loan Notes, Series 2011B	Jun 22, 2011	2.05-2.80%	1,845,000	210,000	-	210,000	-	5,880
Capital Loan Notes, Series 2012	Sep 20, 2012	1.00-3.00%	1,535,000	920,000	-	50,000	870,000	23,485
Capital Loan Notes, Series 2014	May 28, 2014	1.00-2.00%	1,870,000	100,000	-	100,000	-	2,000
Capital Loan Notes, Series 2015	Nov 20, 2015	1.50-4.00%	1,575,000	505,000	-	165,000	340,000	16,075
Capital Loan Notes, Series 2016	Aug 18, 2016	2.00-2.20%	1,945,000	1,945,000	-	-	1,945,000	39,530
Capital Loan Notes, Series 2017	Sep 20, 2017	1.80-3.25%	600,000	600,000	-	-	600,000	16,963
Capital Loan Notes, Series 2019	Jul 25, 2019	3.00-4.00%	3,860,000	-	3,860,000	250,000	3,610,000	109,310
				<u>\$ 6,770,000</u>	<u>3,860,000</u>	<u>2,080,000</u>	<u>8,550,000</u>	<u>289,331</u>
Revenue notes:								
Sewer	Apr 30, 2012	1.50-2.10%	\$ 2,195,000	100,000	-	100,000	-	2,100
Water	Feb 8, 2013	2.00%	6,814,000	4,608,000	-	288,000	4,320,000	80,640
				<u>\$ 4,708,000</u>	<u>-</u>	<u>388,000</u>	<u>4,320,000</u>	<u>82,740</u>

See accompanying independent auditor's report.

City of Humboldt, Iowa

Bond and Note Maturities

June 30, 2020

Year Ending June 30,	General Obligation Notes									
	Capital Loan Notes		Capital Loan Notes		Capital Loan Notes		Capital Loan Notes		Capital Loan Notes	
	Issued Dec 22, 2009		Issued Sep 20, 2012		Issued Nov 20, 2015		Issued Aug 18, 2016		Issued Sep 20, 2017	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	5.07%	285,000	2.05%	60,000	1.75%	30,000	1.20%	180,000	1.80%	35,000
2022	5.17%	290,000	2.05%	75,000	4.00%	30,000	1.45%	180,000	1.80%	35,000
2023	5.27%	300,000	2.35%	75,000	4.00%	30,000	1.55%	185,000	1.80%	35,000
2024	5.37%	310,000	2.35%	75,000	4.00%	30,000	1.65%	190,000	1.80%	35,000
2025	-	-	2.55%	75,000	4.00%	35,000	1.75%	190,000	1.80%	35,000
2026	-	-	2.55%	85,000	4.00%	35,000	1.90%	195,000	3.25%	35,000
2027	-	-	2.75%	90,000	4.00%	35,000	2.00%	200,000	3.25%	40,000
2028	-	-	2.75%	95,000	4.00%	35,000	2.10%	205,000	3.25%	40,000
2029	-	-	3.00%	100,000	4.00%	40,000	2.20%	210,000	3.25%	40,000
2030	-	-	3.00%	70,000	4.00%	40,000	2.30%	210,000	3.25%	40,000
2031	-	-	3.00%	70,000	-	-	-	-	3.25%	45,000
2032	-	-	-	-	-	-	-	-	3.25%	45,000
2033	-	-	-	-	-	-	-	-	3.25%	45,000
2034	-	-	-	-	-	-	-	-	3.25%	45,000
2035	-	-	-	-	-	-	-	-	3.25%	50,000
		<u>\$ 1,185,000</u>		<u>\$ 870,000</u>		<u>\$ 340,000</u>		<u>\$ 1,945,000</u>		<u>\$ 600,000</u>

Year Ending June 30,	General Obligation Notes			Revenue Notes	
	Capital Loan Notes			Water	
	Issued July 25, 2019			Issued Feb 8, 2013	
	Interest Rates	Amount	Total	Rates	Amount
2021	3.00%	380,000	970,000	2.00%	294,000
2022	3.00%	340,000	950,000	2.00%	300,000
2023	3.00%	350,000	975,000	2.00%	306,000
2024	3.00%	360,000	1,000,000	2.00%	312,000
2025	3.00%	140,000	475,000	2.00%	319,000
2026	3.00%	140,000	490,000	2.00%	325,000
2027	3.00%	150,000	515,000	2.00%	331,000
2028	3.00%	150,000	525,000	2.00%	338,000
2029	3.00%	160,000	550,000	2.00%	345,000
2030	3.00%	160,000	520,000	2.00%	352,000
2031	4.00%	170,000	285,000	2.00%	359,000
2032	4.00%	175,000	220,000	2.00%	366,000
2033	4.00%	180,000	225,000	2.00%	373,000
2034	4.00%	190,000	235,000	-	-
2035	4.00%	105,000	155,000	-	-
2036	4.00%	110,000	110,000	-	-
2037	4.00%	115,000	115,000	-	-
2038	4.00%	115,000	115,000	-	-
2039	4.00%	120,000	120,000	-	-
		<u>\$ 3,610,000</u>	<u>\$ 8,550,000</u>		<u>\$ 4,320,000</u>

See accompanying independent auditor's report.

City of Humboldt, Iowa
Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds
For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$ 2,815,572	\$ 2,922,452	2,871,033	2,745,400	2,696,547	2,575,053	2,299,858	2,406,148	2,302,147	2,152,704
Tax increment financing	662,824	1,078,187	1,005,132	924,815	865,312	877,479	824,701	669,180	282,262	443,021
Other city tax	623,876	597,498	603,744	529,028	554,512	511,759	472,093	482,326	388,242	397,628
Licenses and permits	21,980	21,806	28,902	25,914	23,323	20,031	23,424	18,256	17,087	19,458
Use of money and property	103,845	100,470	88,400	77,466	108,140	75,458	87,806	79,374	80,878	142,977
Intergovernmental	846,348	828,039	842,389	731,658	736,867	1,957,659	722,650	620,438	2,420,133	3,141,751
Charges for service	754,584	759,233	360,160	332,474	363,393	348,773	310,242	337,806	295,373	273,612
Special assessments	-	1,521	1,594	1,680	3,298	213,121	5,053	5,987	7,105	9,734
Miscellaneous	160,777	171,652	195,383	258,450	190,577	264,395	367,147	274,580	303,790	287,802
Total	<u>\$ 5,989,806</u>	<u>\$ 6,480,858</u>	<u>5,996,737</u>	<u>5,626,885</u>	<u>5,541,969</u>	<u>6,843,728</u>	<u>5,112,974</u>	<u>4,894,095</u>	<u>6,097,017</u>	<u>6,868,687</u>
Disbursements:										
Operating:										
Public safety	\$ 990,396	\$ 1,069,103	810,364	800,510	791,931	737,627	726,286	727,871	682,479	675,231
Public works	1,263,974	1,059,227	1,167,382	984,035	958,988	1,245,324	962,776	919,433	1,224,325	876,813
Culture and recreation	1,581,157	1,483,744	1,124,349	1,049,771	1,029,301	968,064	1,068,279	905,935	907,804	973,989
Community and economic development	670,600	223,430	218,166	975,553	794,151	855,078	1,932,251	705,513	1,216,611	477,814
General government	410,928	403,105	268,919	260,449	279,934	293,554	379,774	296,072	279,996	290,821
Debt service	2,373,156	1,368,474	1,335,968	869,508	2,042,137	865,982	612,964	613,899	621,347	581,822
Capital projects	2,170,580	1,576,528	1,076,323	1,152,103	1,363,589	2,787,751	1,791,575	3,356,317	2,900,373	4,824,806
Non-program	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 9,460,791</u>	<u>\$ 7,183,611</u>	<u>6,001,471</u>	<u>6,091,929</u>	<u>7,260,031</u>	<u>7,753,380</u>	<u>7,473,905</u>	<u>7,525,040</u>	<u>7,832,935</u>	<u>8,701,296</u>

See accompanying independent auditor's report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Humboldt, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Humboldt, Iowa's basic financial statements and have issued our report thereon dated February 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency (I-A-20).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or others matters which are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Humboldt's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Humboldt during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

February 8, 2021

Humboldt, IA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

I-A-20 Segregation of Duties

Criteria – A proper system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee.

Condition – One individual in the City has control over cash receipts, disbursements, bank transactions, and postings to the general ledger.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances.

Response – We will continue to work toward improving segregation of duties.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget – Disbursements were within budgeted limits for the year ended June 30, 2020.
- II-B-20 Questionable Disbursement – We noted no expenditures that we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-20 Travel Expense – No disbursements of the City's money for travel expense of spouses of its officials or employees were noted.
- II-D-20 Business Transactions – Business transactions between the City and its officials or employees are detailed below:

Name, Title and Business Connection	Transaction Description	Amount
Joel Goodell, Council Member Owner of GDL Pest Control	Pest control at 4 facilities and mosquito control.	\$10,823

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with GDL Pest Control do not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- II-E-20 Restricted Donor Activity- No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-20 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- II-H-20 Deposits and Investments –No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-I-20 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-J-20 Financial Condition – The Capital Projects - Streets, The Capital Projects – Water Main Fund, and Enterprise - Water Fund had deficit balances of \$64,570, \$36,874, and \$91,517 respectively, at June 30, 2020.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficits should be eliminated when expected receipts are received.

City of Humboldt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Conclusion – Response accepted.